

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date : September 24, 2004

From : Dave Hayes
Research and Statistics Section

**Subject: PREPAYMENT OF SALES TAX ON MOTOR VEHICLE FUEL, DIESEL FUEL
AND JET FUEL
OCTOBER 19, 2004 - CONSENT AGENDA**

Section 6480.1 of the Revenue and Taxation Code requires the Board of Equalization to determine annually by November 1 the rate at which sales tax on motor vehicle fuel is to be collected at the time such fuel is first distributed in the state during the twelve month period beginning the following April 1. Adjusting this rate does not change the total sales tax on motor vehicle fuel, but rather keeps the percentage of tax subject to prepayment reasonably constant when prices of gasoline go up or down over time.

The method by which the rate is to be calculated annually is specified in Section 6480.1. We have used prices compiled by the U.S. Department of Energy and published by the California Energy Commission. The calculation of the rate for the period April 1, 2005 through March 31, 2006 yields a figure of \$0.115 per gallon. This is an increase of one and one-half cents over the current rate of \$0.10 per gallon.

Section 6480.16 of the Revenue and Taxation Code requires the Board of Equalization to determine annually by November 1 the rates at which sales tax on diesel fuel and sales tax on jet fuel are to be collected at the time such fuel is first distributed in the state during the twelve month period beginning the following April 1.

The method by which the rate is to be calculated annually is specified in Section 6480.16. We have used prices compiled by the U.S. Department of Energy. The calculation of the rates for the period April 1, 2005 through March 31, 2006 yields a figure of \$0.105 per gallon for diesel fuel, an increase of two and one-half cents over the current rate of \$0.08 per gallon; and \$0.075 per gallon for jet fuel, an increase of two and one-half cents over the current rate of \$0.05 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on motor vehicle fuel distributions for the period April 1, 2005 through March 31, 2006 at \$0.115 per gallon.

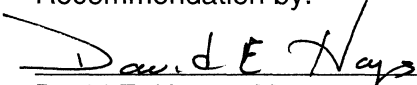
It is recommended that the Board set the rate of prepayment of sales tax on diesel fuel distributions for the period April 1, 2005 through March 31, 2006 at \$0.105 per gallon.

It is recommended that the Board set the rate of prepayment of sales tax on jet fuel distributions for the period April 1, 2005 through March 31, 2006 at \$0.075 per gallon.

DH:ems

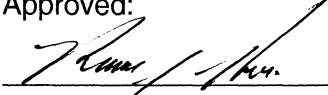
cc: Ms. Randie Henry
Ms. Margaret S. Shedd
Mr. Jeff McQuire
Ms. Deborah Pellegrini
Mr. Vic Anderson
Compliance and Technology Section

Recommendation by:



David E. Hayes, Manager,
Research and Statistics Section

Approved:



Ramon J. Hirsig,
Executive Director

Approved:

BOARD APPROVED
at the _____ Board Meeting

Deborah Pellegrini, Chief
Board Proceedings Division